

## CHAPTER V STORES AND STOCK

### SECTION A

#### GENERAL ADMINISTRATION (PRINTING AND STATIONERY) DEPARTMENT

##### 5.1 Stores and Stock Management of Printing and Stationery

*Stores and stock management of the Department was found to have been deficient in many respects. The Department did not fix maximum limit for holding inventory or minimum level for re-ordering. As a result, there had been unnecessary procurement of stock resulting in locking up of capital. Forms were printed without assessing the requirement. Printing machines remained continuously under-utilised. A large number of machines could not be put to use for want of maintenance. As Proforma Accounts were not being prepared, the financial results of working of the Press were not ascertainable.*

##### *Highlights*

The Department did not prepare Proforma Accounts as required under the General Financial Rules, in absence of which the financial results of working of the press remained unascertainable.

(Paragraphs 5.1.5 to 5.1.7)

Unnecessary procurement of paper resulted in locking up of funds of Rs.21.32 lakh, as of 31 March 2001.

(Paragraphs 5.1.9 and 5.1.10)

Printing of forms without assessing the annual requirement led to accumulation of 26.80 lakh forms worth Rs.9.02 lakh.

(Paragraphs 5.1.14 and 5.1.15)

Under-utilisation of seven offset printing machines resulted in short outturn of impressions varying from 30 to 51 per cent during the five years from 1996-97 to 2000-2001.

(Paragraphs 5.1.17 and 5.1.18)

Vital records like log books and history sheets for machines had not been maintained. In the absence of these records, the internal control mechanism remained ineffective.

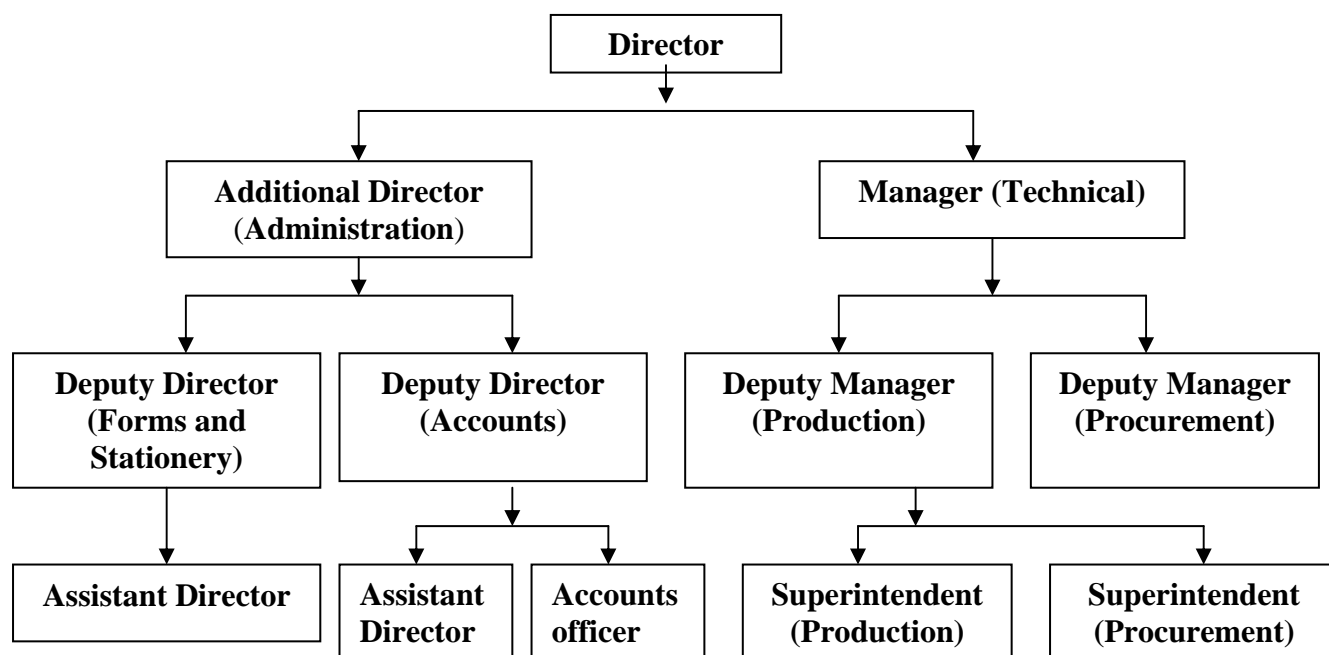
(Paragraph 5.1.26)

##### *Introduction*

**5.1.1** The General Administration Department consists of two wings, viz., 'Press' and 'Forms and Stationery' and is entrusted with the task of printing for all offices/departments of the State Government and for autonomous bodies under its control. For this purpose, stores of different kinds are procured/produced to cater to their requirement. To assist itself in carrying out the above responsibilities, the Department had been running a press, viz., 'Tripura Government Press' at Agartala, since 1955.

**Organisational set up**

5.1.2 The following diagram shows the levels of formations of the Department headed by a Director (Printing and Stationery):



The post of the Deputy Director (Accounts) had not been filled up since April 1997 when the then incumbent was transferred to another department.

**Audit coverage**

5.1.3 A test check of records of the Department for the period from 1996-97 to 2000-2001 was conducted in audit between May and June 2001 by scrutinising purchase procedures, maintenance of stores and utilisation of materials and equipment with a specific focus on all major items purchased, maintained and utilised by the Department. The expenditure on stores and stock (Rs. 3.83 crore) thus covered constituted 20 per cent of the total expenditure incurred. The results of test check are mentioned in the succeeding paragraphs.

**Provision and expenditure**

5.1.4 Against the total budget provision of Rs.20.57 crore (plan: Rs.0.82 crore; non-plan: Rs.19.75 crore) during 1996-97 to 2000-2001, expenditure of Rs.18.91 crore (plan: Rs.0.46 crore; non-plan: Rs.18.45 crore) was incurred as reflected in the Appropriation Accounts for the concerned years. Of this, budget provision for stores and stock accounted for Rs. 4.53 crore (plan: Rs. 0.56 crore; non-plan: Rs. 3.97 crore), and expenditure Rs. 3.83 crore (plan: Rs. 0.40 crore; non-plan: Rs. 3.43 crore).

**Non-maintenance of Annual Proforma Accounts**

5.1.5 Mention was made in Para 3.14.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 that due to non-preparation of Profit and Loss Accounts of the Press since 1969-70 as required under departmental orders (July 1969), the financial results of working of the Press were not ascertainable. The Department had not taken any initiative (June 2001) to prepare such accounts even after the audit observation.

**5.1.6** It was also necessary for all regular Government workshops and factories as per provision of Note 1 below Rule 299 of the General Financial Rules to keep 'Proforma Accounts' in accordance with the detailed rules and procedures prescribed in the departmental regulations. But the Government had not prescribed any rules and procedure for maintaining the proforma accounts as per the General Financial Rules as yet (November 2001).

**5.1.7** The Government stated (August 2001) that Note 1 below Rule 299 of GFRs was not applicable to the press run by the Department as it was a service department/unit. But the reply is not acceptable in audit as proforma accounts are also being maintained in other service departments/units (e.g., in Power Department) of the State Government. Saraswati Press Ltd., Kolkata, a Government of West Bengal undertaking, which was engaged by the State Government to study the functioning of the press, also recommended (November 1999) that for its effective running the accounts of the Press be maintained in a commercial pattern.

### ***Purchases***

**5.1.8** To keep the press running, the Printing and Stationery Department purchases various kinds of paper and stationery for consumption in the Government Press by placing supply orders to different paper mills/firms throughout India against DGS&D rate contract and, from the open market, after observing codal formalities in case of emergency needs and when the requirements were small.

### ***Procurement of paper in excess of requirement leading to unnecessary locking up of funds***

**5.1.9** According to Rule 103 of the GFRs, purchases shall be made in most economical manner and care should be taken not to purchase stores much in excess of actual requirement. During the period from 1987-88 to 1992-93 the Department procured 1,644 reams of seven varieties of paper at a cost of Rs.8.03 lakh even when there was a stock of 1,262 reams of three varieties of paper out of seven varieties indicated above, bringing the total stock to 2,906 reams. The total consumption during 1987-88 to 2000-2001 was only 1,607 reams i.e. 55.30 *per cent* of the total stock. This resulted in accumulation of 1,299 reams of paper being the unutilised stock valued at Rs.6.32 lakh<sup>®</sup> at the end of the period.

**5.1.10** Further, during the period from 1996-97 to 2000-2001, the Department procured 56,628 reams of six varieties of paper (these were in addition to the varieties already mentioned above) at a total cost of Rs.3.23 crore at DGS&D rate contract with an available stock of 3,636 reams at the beginning of 1996-97. During the period of five years (1996-97 to 2000-2001) 57,103 reams of papers were consumed out of 60,264 reams (56,628 + 3,636) leaving a closing stock of 3,161 reams as on 31 March 2001 valued at Rs.15 lakh\* resulting in unnecessary locking up of funds for the last 5 years.

**5.1.11** This indicates that the Department made no realistic assessment based on actual need before procurement, right from 1987-88 to 2000-2001. The Department stated (June 2001) that no maximum limit for holding inventory

<sup>®</sup> Rate per ream ranging from Rs. 261.50 to Rs. 945.22.

\* Rate per ream ranging from Rs. 285.69 to Rs. 1149.84.

or minimum level for re-ordering were fixed by the Government. Since the quality of paper deteriorates with time, in the absence of physical verification of stores over a decade, the condition of the unused stock was not ascertainable in audit.

**5.1.12** The Government stated (August 2001) that the Department has no fixed requirement and always it had to keep the stock to meet unforeseen requirement of different departments. The Government also stated that adequate stock was required to be maintained to run the press and to cater to the demands of various departments.

**5.1.13** The reply of the Government further confirms the position that procurement of paper was made without making any assessment of requirement and norms were not fixed by the Government for procurement of such consumables for the printing machines, which may be directly attributable to 45 per cent of the materials procured remaining unutilised even after a lapse of 8 to 14 years. Thus, absence of effective system for economic and efficient handling of procurement of materials has led to keeping excess stock for more than a decade with consequential blockage of funds.

#### ***Accumulation of excessive stock of forms***

**5.1.14** The Government Press is required to print forms, which are for common use by different departments, on the basis of assessment of average annual consumption during the previous years. Scrutiny revealed that the Press made no assessment of requirement and printed forms much in excess of actual requirement as may be seen from the following table:

<b>Year</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>	<b>2000-2001</b>
Opening stock of forms (in numbers)	13,600	4,08,600	10,33,600	18,35,100	22,04,880
Forms printed	10,00,000	16,45,000	19,00,000	13,25,000	14,00,000
Total stock	10,13,600	20,53,600	29,33,600	31,60,100	36,04,880
Forms used	6,05,000	10,20,000	10,98,500	9,55,220	9,25,350
Percentage of consumption in relation to total stock.	60	50	37	30	26
Closing stock	4,08,600	10,33,600	18,35,100	22,04,880	26,79,530

**5.1.15** During 1996-97 to 2000-2001, consumption of forms had been 60 to 26 per cent of the total stock available during the year. It would also be seen from the table that printing of forms without assessing actual requirement resulted in accumulation of 26,79,530 forms valued at Rs. 9.02 lakh\*, as of 31 March 2001, which could have been avoided had the actual requirement been ascertained by the Department before printing.

**5.1.16** The State Government attributed (August 2001) the reasons for accumulation of excess stock of forms mainly to non-lifting of forms by the indenting departments, 'probably' due to inadequate storing facilities in these departments and due to modifications carried out in respect of forms already printed.

\* Rate per 100 forms ranging from Rs. 16 to Rs. 64.

### **Procurement and maintenance of machinery**

#### **Under-utilisation of offset machines**

**5.1.17** The Offset Section of the press had four printing machines in 1996-97 which increased to seven in 1999-2000. During 1996-97 to 2000-2001, the machines were utilised for 30,988 hours as against the targeted minimum utilisation for 49,509 hours. This resulted in under-utilisation of the machines for 18,521 (49,509 – 30,988) hours, of which under-utilisation of 14,570 hours was attributed to mechanical faults and under-utilisation of remaining 3951 hours was attributed to staff shortage and power failure. One Bi-colour (HMT KRO) machine remained idle for three consecutive years from 1996-97 to 1998-99 and one Swift 150 DX machine with the targeted minimum outturn capacity of 12,000 impressions per day did not turn out a single impression during 2000-2001.

**5.1.18** The reasons for not utilising the machines were also stated to be mechanical faults. Under-utilisation of the offset machines, as reflected from the performance data compiled by Audit from the records produced by the Department, had adverse effect on total output as may be seen from the table below:

Sl. No.	Particulars	1996-97	1997-98	1998-99	1999-2000	2000-2001
1.	Total minimum running hours targeted	7,105	8,500	10,118	11,242	12,544
2.	Actual running hours	4,048	4,301	7,055	7,346	8,238
3.	Shortfall in running hours	3,057	4,199	3,063	3,896	4,306
4.	Percentage of shortfall	43	49	30	35	34
5.	Total number of impressions due from the targeted running hours	69,18,000	84,70,000	1,04,78,000	1,13,56,000	1,21,96,000
6.	Number of impressions obtained from the actual running hours	37,42,445	41,72,194	72,68,855	79,76,177	84,72,463
7.	Shortfall in number of impressions obtained	31,75,555	42,97,806	32,09,145	33,79,823	37,23,537
8.	Percentage of shortfall	46	51	31	30	31
9.	Percentage of shortfall due to mechanical faults <sup>*</sup>	85	54	72	92	92

It would be seen from above that shortfall in obtaining impressions varied from 30 to 51 *per cent* during the years, of which 54 to 92 *per cent* were due to mechanical fault of the machines.

#### **Inventory control of old and outdated machines**

**5.1.19** There were 20 printing and other machines lying idle and damaged for the last 6 to 29 years. The department identified 17 machines out of 20 mentioned above, relating to the Letter Press Section and Binding Section of the Press, which were declared ‘old, outdated and obsolete’ and were beyond economic repair. A six-member committee was formed (September 2000) comprising the Superintendent of Press, four Foremen and one Assistant Foreman. The Committee submitted its report (April 2001) with the recommendation to condemn 17 machines. The reasons adduced for most of the machines remaining idle were that ‘machines were damaged’ and that ‘spare parts not available’ since most of the machines were of foreign make. It

<sup>\*</sup> The percentage of shortfall due to mechanical faults has been derived in audit from the departmental records.

was noticed that, although all the machines were purchased from Indian suppliers, the Department did not enter into annual maintenance contract with the suppliers in order to get spare parts and after-sales service.

**5.1.20** The Government stated (August 2001) that in the meantime it had entered into Annual Maintenance Contract with two Kolkata based firms for some of the machines.

**5.1.21** It was stated by the Department that 'straight line' method for charging depreciation on the value of machinery had been adopted. But it was seen in audit that the department had charged 10 *per cent* depreciation on the value of the machines by taking estimated useful life of the machines at 10 years to arrive at the zero value of the machines. This is against accepted accounting principles as according to the straight line method, estimated residual value is to be deducted from the original cost of machines before charging depreciation for its estimated useful life. But the department could not state the estimated residual value of the machines due to non-maintenance of records. By exhibiting the assets at zero value, the possibility of omitting them from the assets list after the useful life is over, could not be ruled out.

**5.1.22** The Government stated (August 2001) that steps were being taken to set up a committee to work out the residual value of the machines for their estimated useful life etc.

**5.1.23** Although the Department had taken 10 years as estimated useful life of all the seventeen machines, it was noticed that six out of seventeen machines were used for about one to eight years resulting in short utilisation of machines by two to nine years.

**5.1.24** One paper varnishing machine, of these six, purchased at a cost of Rs. 0.44 lakh and installed in February 1988, was not utilised after trial run for want of 'raw materials'. Hence the procurement of the machine, without ascertaining its need and availability of raw materials, was injudicious and infructuous.

**5.1.25** According to the Government (August 2001), the varnishing machine remained idle after trial run (1988) due to stoppage of the work of printing of Nationalised Text Books and awarding the work to private press. But the reply is not tenable as it was observed that printing of the Nationalised Text Books in the Government Press was stopped during 1994-95, i.e. after six years from the trial run of the machine.

**5.1.26** Three other large and medium size machines of the Letter Press Section lying idle for the last six to twenty nine years and already damaged were not considered for disposal after formal condemnation. Further, the Department had not maintained log books and history sheets for the machines and no inventory of 'Dead Stock' was prepared as per the provisions of GFRs, as a result of which original purchase value of five out of the seventeen 'old, outdated and obsolete' machines could not be stated to Audit. This indicates failure of the Department in having effective inventory control and materials management in the Press.

***Idle stock of machinery and consumables of the block making unit***

**5.1.27** Tripura Government Press had one block making unit from April 1981. The unit stopped functioning from May 1997. Services of the staff

attached to the unit were transferred to offset printing section. Scrutiny revealed that various machines, instruments and consumables of the unit valuing Rs. 4.33 lakh were lying idle and un-utilised (June 2001). The Department did not conduct any verification of the idle machines and consumables in order to either utilise them otherwise or dispose of by declaring them as surplus items under Rule 119 (3) of the GFRs.

### ***Outstanding claims***

**5.1.28** As of March 2001, there were outstanding claims for Rs. 5.61 crore<sup>₹</sup> due from various Government agencies and autonomous bodies since 1980-81, preferred by the press towards the cost of printing and cost of forms and stationery. Except raising routine nature of annual bills, no effective steps to realise the outstanding dues were found on record (June 2001).

**5.1.29** The Government stated (August 2001) that the matter regarding realisation of outstanding dues from various departments had been taken up in the meantime with the Finance Department.

### ***Monitoring and Evaluation***

**5.1.30** Mention was made in para 3.14.13 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 that the Government constituted a High Power Committee in March 1990 to assess and evaluate the performance of the Press. The committee in its report had, *inter alia*, suggested (June 1992) engagement of a team of experts to fix productivity norms, setting up of a workshop for better maintenance of machines, transfer of pending jobs to other departmental presses of Agriculture, Home and Revenue Departments of the State Government, having less work, etc.

**5.1.31** It was seen that the Government worked out (November 1993) machinewise productivity norms and imparted a short period training to a contingent of technical staff in minor repair of offset machines, but it did not help improving the situation due to lack of monitoring.

**5.1.32** As a part of efficient materials management, a physical verification of all the stores is required to be made at least once in every year. Such physical verification had not been taken up since 1991-92.

### ***Recommendations***

**5.1.33** The Department should arrange to conduct physical verification of all stores immediately and once in every year and place the results of verification on record for verification by audit.

**5.1.34** Through effective inventory control, holding stores in excess of requirement should be avoided. It is imperative that maximum limit for holding stock as well as the minimum re-ordering level should be indicated.

**5.1.35** Immediate steps should be taken to prepare Proforma Accounts as required under the General Financial Rules.

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<sup>₹</sup> The break up is as follows:

1980-85: Rs. 0.19 crore; 1985-90: Rs. 0.23 crore; 1990-95: Rs. 1.15 crore; 1995-2000: Rs.2.57 crore; 2000-2001: Rs. 1.47 crore.

## SECTION B

### PUBLIC WORKS DEPARTMENT

#### 5.2 Blocking up of funds

**The Executive Engineer, Stores Division (PWD), Arundhutinagar, Agartala procured materials much in excess of requirement between 1994-95 and 1999-2000, which resulted in blocking up of funds of Rs.11.57 crore as of March 2001 and consequent loss of interest of Rs.3.92 crore.**

Test-check of records of the Executive Engineer, Stores Division (PWD), Arundhutinagar, Agartala (January and May 2001) disclosed that the Division had procured various materials worth Rs. 20.86 crore between 1994-95 and 1999-2000 under different heads of account based on Letters Of Credit (LOC) received from the Engineer-in-Chief, PWD, Agartala. Out of the materials so procured, the Division could issue materials worth Rs. 9.29 crore between 1996-97 and 2000-2001 leaving a balance of materials worth Rs. 11.57 crore lying unutilised in the store as of March 2001. This resulted in blockage of funds amounting to Rs. 11.57 crore<sup>\*</sup> and consequent loss of interest of Rs.3.92 crore<sup>\*</sup> on the blocked up amount computed for the period between April 1995 and March 2001 with reference to the rates of interest<sup>x</sup> applicable during the period between 1994-95 and 2000-2001 on the borrowings of the Government.

The blockage of funds was due mainly to non-assessment of requirement in a proper and realistic manner based on works in progress and works to be executed and resorting to purchases at the fag end of each year to avoid the lapse of budget grant in violation of the manualised provisions.

The matter was reported to the Government in July 2001; reply had not been received (November 2001).

### RURAL DEVELOPMENT DEPARTMENT

#### 5.3 Idle expenditure on machinery

**Machinery purchased at a cost of Rs. 11.82 lakh was lying idle for two and a half years.**

For providing drinking water to 'Jampui Hills' area by lifting surface water from valley to hilltop, the Executive Engineer, Rural Development Division (West) procured (November 1998) through the Stores Division two high head centrifugal electric pump sets with accessories at a cost of Rs. 11.82 lakh from a Calcutta based firm.

<sup>\*</sup> 1994-95: Rs. 0.67 crore; 1996-97: Rs. 0.84 crore; 1997-98: Rs. 1.05 crore; 1998-99: Rs.1.88 crore; and 1999-2000: Rs. 7.13 crore.

<sup>\*</sup> 1994-95: Rs. 0.08 crore; 1995-96: Rs. 0.09 crore; 1996-97: Rs. 0.21 crore; 1997-98: Rs. 0.33 crore; 1998-99: Rs.0.54 crore; 1999-2000: Rs. 1.42 crore; 2000-2001: Rs. 1.25 crore.

<sup>x</sup> 1994-95: 12.50 per cent; 1995-96 and 1996-97: 13.85 per cent; 1997-98: 13.05 per cent; 1998-99: 12.15 per cent; 1999-2000: 12.25 per cent; 2000-2001: 10.82 per cent.



Test Check (June 2000) of the records of the Executive Engineer, Rural Development Engineering Division (West) revealed that the pump sets, though received by the Stores Division of the Department in November 1998, were lying idle in store as of April 2001. Meanwhile, warranty period of 18 months from the date of despatch (August 1998) was over (February 2000) even before the pumps could be installed and thus, the Department lost the benefit of protection coverage of the machinery assured by the company.

The Divisional Officer stated (April 2001) that the pump sets were kept by the Stores Division of the Department only as a custodian and any decision regarding its utilisation would be decided by the appropriate authority, but remained silent about the present condition of the machinery lying in the open for two and a half years and also did not specify who was the appropriate authority.

Thus, hasty procurement of machinery without adequate planning for utilisation resulted in idle investment of Rs. 11.82 lakh, besides denial of intended benefit of drinking water facility to the needy population residing in hilly areas.

The matter was reported to Government in July 2001; reply had not been received (November 2001).